

HOUSE FINANCE COMMITTEE
May 11, 2022
1:44 p.m.

1:44:12 PM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 1:44 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

Representative Bryce Edgmon

ALSO PRESENT

Emma Torkelson, Staff, Senator Josh Revak; Sarah Evans, Staff, Representative Harriet Drummond.

SUMMARY

HB 350 SCHOOL BOND DEBT REIMBURSEMENT

HB 350 was REPORTED out of committee with five "do pass" recommendations, two "do not pass" recommendations, two "no recommendation" recommendations, and one "amend" recommendation and with one previously published indeterminate fiscal note: FN1 (EED/Debt Service).

CSSB 203 (FIN)

PURPLE HEART TRAIL

HCS CSSB 203(FIN) was REPORTED out of committee with nine "do pass" recommendations and one "no recommendation" recommendation and with one previously published fiscal impact note: FN2 (DOT).

Co-Chair Merrick reviewed the meeting agenda.

#sb203

CS FOR SENATE BILL NO. 203 (FIN)

"An Act designating the Alaska marine highway system and portions of the Parks, Glenn, Seward, and Sterling Highways as a part of the State's Purple Heart Trail and relating to signage and informational displays for the trail."

[1:44:47 PM](#)

Co-Chair Merrick relayed that the bill had been heard the previous day and one amendment had been received since that time. She asked the bill sponsor's staff to provide any opening comments.

EMMA TORKELSON, STAFF, SENATOR JOSH REVAK, thanked the committee for hearing the bill. She briefly explained that the bill would extend the Purple Heart Trail about 3,500 miles between the Alaskan/Canadian border to Homer and on the Alaska Marine Highway System (AMHS).

[1:45:30 PM](#)

Representative Josephson MOVED to ADOPT Amendment 1, 32-LS1553\I.2 (Foote, 5/9/22) (copy on file):

Page 2, line 2, following "directions":

Insert "along the Glenn Highway below Gold Star Peak near a site designated for a Gold Star Families Memorial Monument and"

Co-Chair Merrick OBJECTED for discussion.

Representative Josephson explained that Gold Star Peak was frequently visited by veterans. He believed it was an appropriate location to designate a future site for signage

of the Purple Heart Trail reflecting that Gold Star Peak was in the vicinity. He believed the bill sponsor considered the amendment to be friendly.

Ms. Torkelson nodded affirmatively.

Co-Chair Merrick WITHDREW her OBJECTION.

There being NO further OBJECTION, Amendment 1 was ADOPTED.

Co-Chair Foster MOVED to REPORT HCS CSSB 203(FIN) out of committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

HCS CSSB 203(FIN) was REPORTED out of committee with nine "do pass" recommendations and one "no recommendation" recommendation and with one previously published fiscal impact note: FN2 (DOT).

#hb350

HOUSE BILL NO. 350

"An Act relating to school bond debt reimbursement; and providing for an effective date."

1:47:22 PM

Co-Chair Merrick relayed that the bill had been heard the previous day and one amendment had been received since that time. She asked the bill sponsor's staff to provide any opening comments.

SARAH EVANS, STAFF, REPRESENTATIVE HARRIET DRUMMOND, was available to answer any questions.

Representative Wool MOVED to ADOPT Amendment 1, 32-LS1560\A.1 (Marx, 5/11/22) (copy on file):

Page 7, line 3:
Delete "70[50]"
Insert "50"

Page 7, line 10
Delete "60"
Insert "50"

Co-Chair Merrick OBJECTED for discussion.

Representative Wool explained the amendment would bring school bond debt reimbursement to 50 percent across the board. He noted that the number had been 50 percent since 2015. He explained that if a school district got a bond for new construction or maintenance, the state would pay half. He understood the number had been higher in the past. He noted that the bill currently had a 70/60 percent component for different kinds of construction. He understood previously there had been a 60/40 split prior to the moratorium.

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Representative Josephson recalled that former Senator Anna Fairclough [McKinnon] had sponsored the moratorium, which had been a sign of things to come as the recession began. He asked for verification that the number had been reduced to 50 percent at the start of the moratorium.

Ms. Evans replied affirmatively.

Vice-Chair Ortiz asked how the amendment matched or diverged with the current budget bills. He wondered if the amendment would put school bond debt reimbursement on a different path than the trajectory under the current budget.

Representative Wool believed the state was currently paying 50 percent. He explained that the funding had been vetoed, but the legislature had backfilled the funds in the current budget. He recalled that when Representative Drummond had presented the bill, she had stated there was a recent school bond debt issue on the ballot in Anchorage with a zero percent state contribution. He elaborated that under the ballot proposition, 100 percent would have been paid by the school district. He relayed the proposition had it narrowly lost. He thought 50 percent was a good number. He had a bit of concern there would be a flood of new school projects if the bill passed with a 70 percent [state] reimbursement. Under the amendment, both kinds of construction would be at the 50 percent reimbursement rate. He wanted to support school districts but did not want the state to see a flood of new school bond debt it would be

responsible for. He noted the amendment was an effort to strike a middle ground.

Co-Chair Merrick WITHDREW her OBJECTION.

Representative Josephson OBJECTED. He stated his understanding the amendment would reduce the state's share for school bond debt assistance beneath the 2013 rate.

Ms. Evans responded affirmatively. She detailed that since the implementation of the moratorium in 2015, the state had paid nothing toward school bond debt reimbursement. The only two communities that had passed school bond debt reimbursement on the ballot were Utkiagvik and Anchorage. She relayed that a measure had not passed in any other communities where the state would contribute no funding.

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Representative Josephson asked for verification that the amendment would reduce the reimbursement below its historical rate before 2015.

Ms. Evans agreed. She elaborated that [prior to 2015] the reimbursement rate had been 70 percent on maintenance and 60 percent on new construction. She highlighted that [in 2015] SB 64 implemented a moratorium and reduced the reimbursement rates to 50/40 [for maintenance and new construction].

Representative Rasmussen supported the amendment. She stated the legislature had heard a lot about an overall comprehensive fiscal plan. She believed the legislature needed to evaluate all of the education funding including capital deferred maintenance, bond debt reimbursement, major maintenance, the retirement plan, and Base Student Allocation (BSA) increases to determine how the items competed for state dollars. She reasoned that all of the projects piling up could amass a large financial obligation to the state. She highlighted the need to determine revenue streams and to resolve the statutory Permanent Fund Dividend formula. She believed there were many questions that needed to be answered together and education was one component of the whole picture.

Representative Wool pointed out that existing bond debt was currently being paid at 50/40 according to the change in

2015. He stated that the reimbursement rate under the bill was currently 70/50. He relayed his support for education funding. He believed equal participation by the state and school districts was equitable for new construction. He was concerned there may be an influx of new construction projects if the state paid 70 percent. He would rather see the 20 percent go toward a BSA increase or classroom expenditures.

[1:56:09 PM](#)

Vice-Chair Ortiz did not disagree with the comments by the two prior speakers and recognized that dollars spent were dollars spent. He agreed that everything should be a part of the equation when trying to establish a fiscal plan; however, the state was constitutionally required to provide for education and public safety. He reasoned that having adequate school facilities was an important element of maintaining an adequate education system.

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AT EASE

[1:59:36 PM](#)

RECONVENED

Representative Wool replied to the prior comments made by Vice-Chair Ortiz. He relayed his support for building maintenance and keeping structures sound. He highlighted that \$100 million had been included in the capital budget for school construction.

Co-Chair Merrick clarified the funding in the capital budget was for school major maintenance.

Representative Wool stated that he supported maintaining school buildings. He referred to Ms. Evan's earlier statement that two communities had approved school bond debt with zero state contribution. He noted that Anchorage had almost approved school bond debt again with zero state contribution. He thought 50 percent was fair.

[2:00:46 PM](#)

Representative Josephson MAINTAINED his OBJECTION to Amendment 1.

A roll call vote was taken on the motion.

IN FAVOR: Rasmussen, Wool, Carpenter, Johnson, Merrick

OPPOSED: Josephson, LeBon, Ortiz, Thompson, Foster

The MOTION to adopt Amendment 1 FAILED (5/5).

Co-Chair Foster MOVED to REPORT HB 350 out of committee with individual recommendations and the accompanying fiscal note.

There was an OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Wool, Johnson, Josephson, Foster, Merrick

OPPOSED: LeBon, Rasmussen, Thompson, Carpenter

The MOTION PASSED (6/4).

There being NO further OBJECTION, HB 350 was REPORTED out of committee with five "do pass" recommendations, two "do not pass" recommendations, two "no recommendation" recommendations, and one "amend" recommendation and with one previously published indeterminate fiscal note: FN1 (EED/Debt Service).

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ADJOURNMENT

2:03:05 PM

The meeting was adjourned at 2:03 p.m.